

FAIRVIEW AREA SCHOOLS
FAIRVIEW, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2008

FAIRVIEW AREA SCHOOLS

JUNE 30, 2008

ADMINISTRATION

SUPERINTENDENT

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FAIRVIEW AREA SCHOOLS

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APPENDICE

Report on internal control over financial reporting and on compliance and other matters
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with *Government Auditing Standards*

37-38



Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

INDEPENDENT AUDITOR'S REPORT

Board of Education
Fairview Area Schools
Fairview, MI 48621

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairview Area Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fairview Area Schools, as of June 30, 2008, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2008 on our consideration of Fairview Area Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Fairview Area Schools
Fairview, MI 48621

The administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 25 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Fairview Area Schools' basic financial statements. The accompanying other pages of supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Those schedules and statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
October 8, 2008

Management's Discussion and Analysis

As management of the Fairview Area Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,308,599 (*net assets*). Of this amount, \$777,232 (*unrestricted net assets*) may be used to meet the District's ongoing obligations, \$92,983 is reserved for debt service, and \$231,499 is reserved for capital projects (sinking fund) use.
- The District's total net assets increased by \$355,844.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,120,748, an increase of \$154,500 in comparison with the prior year. Approximately 71%, or \$796,266 is *available for spending* at the District's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$757,612 or 26% of total general fund expenditures.
- The District's total debt decreased by \$335,721 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, and athletics. The District has no business-type activities as of and for the year ended June 30, 2008.

The District-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *government activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service fund, and capital projects fund, each of which are considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-24 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining fund statements and schedules can be found on pages 26-27 of this report.

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the Fairview Area Schools District, assets exceeded its liabilities by \$3,308,599 at the close of the most recent fiscal year.

The largest portion of the District's net assets (67%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Assets

	Governmental Activities	
	<u>2007-08</u>	<u>2006-07</u>
Current and Other Assets	\$ 1,454,504	\$ 1,270,731
Capital Assets, Net	<u>4,832,164</u>	<u>4,969,676</u>
Total Assets	<u>6,286,668</u>	<u>6,240,407</u>
Current Liabilities	749,986	707,652
Long-term Liabilities	<u>2,228,083</u>	<u>2,580,000</u>
Total Liabilities	<u>2,978,069</u>	<u>3,287,652</u>
Net Assets:		
Invested in Capital Assets, Net		
of Related Debt	2,206,885	2,008,676
Restricted	324,482	220,483
Unrestricted	<u>777,232</u>	<u>723,596</u>
Total Net Assets	\$ <u>3,308,599</u>	\$ <u>2,952,755</u>

An additional portion of the District's net assets (10%) represents resources that are subject to external restrictions on how they may be used.

The District's net assets increased by \$355,844 during the current fiscal year. Included in the current fiscal year was an increase in the foundation allowance funding by the State of Michigan of \$119 to \$7,204 per student, or approximately 1.7%. The District's blended enrollment decreased by 15 to approximately 344 students.

District's Changes in Net Assets

	Governmental Activities	
	<u>2007-08</u>	<u>2006-07</u>
Revenue:		
Program Revenue:		
Charges for Services	\$ 105,159	\$ 94,040
Operating Grants and Contributions	494,816	495,615
General Revenue:		
Property Taxes	2,772,238	2,597,359
State School Aid	343,771	553,975
Investment Earnings	28,918	35,769
Other	27,725	21,919
Total Revenue	<u>3,772,627</u>	<u>3,798,677</u>
Expenses:		
Instruction	1,651,496	1,753,323
Support Services	1,155,346	1,221,793
Food Services	120,033	100,155
Athletics	65,109	66,314
Interest on Long-Term Debt	126,328	141,951
Depreciation - Unallocated	298,471	294,393
Total Expenses	<u>3,416,783</u>	<u>3,577,929</u>
Increase in Net Assets	355,844	220,748
Net Assets, Beginning of Year	<u>2,952,755</u>	<u>2,732,007</u>
Net Assets, End of Year	\$ <u><u>3,308,599</u></u>	\$ <u><u>2,952,755</u></u>

Governmental Activities. Governmental activities increased the District's net assets \$355,844.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,120,748, an increase of \$154,500 in comparison with the prior year. Approximately 71% of this total amount (\$796,266) constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *reserved* and not available for current expenditure.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$757,612. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 26% of total general fund expenditures.

The fund balance of the District's general fund increased by \$57,793 during the current fiscal year. This decrease is primarily attributable to declining revenue.

The food service fund has a total fund balance of \$23,777, which decreased by \$10,441.

The athletic fund has a total fund balance of \$14,877, which increased by \$3,149.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various District programs.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$4,832,164 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

The district purchased a new bus for \$70,279 and made improvements to the buildings.

District's Capital Assets (net of depreciation)

	2007-08	2006-07
Land Improvements	\$ 200,269	\$ 237,192
Buildings & Improvements	4,475,501	4,514,420
Vehicles	96,513	47,126
Equipment	59,881	170,938
Total	\$ 4,832,164	\$ 4,969,676

Additional information on the District's capital assets can be found on note 5 on page 21 of this report.

Long-term debt. The District, as of June 30, 2008, had the following debt issues with outstanding balances:

District's Long-Term Debt		
	<u>2007-08</u>	<u>2006-07</u>
1998 Bond Issue	\$ 2,580,000	\$ 2,940,000
Installment Purchase	<u>45,279</u>	<u>21,000</u>
Total	\$ <u>2,625,279</u>	\$ <u>2,961,000</u>

Additional information on the District's long-term debt can be found in note 7 on page 22 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2008-2009 fiscal year:

- The slow economic recovery continued to create an unfavorable economy for people to move into the area or to remain in the area. This factor contributes to reducing student counts.
- The modest increase of \$112 in the foundation grant does not cover the increasing costs of operation. The costs of utilities, health insurance, and other contractual obligations continue to impact the budget, even though budget reductions have been implemented. Three primary factors weigh most heavily on our budget:
 1. A temporary decrease in retirement cost will impact future costs.
 2. Escalating health insurance costs.
 3. Frequent changes in insurance plans due to rising rates.
- Declining enrollment continues to create program and fiscal stress for the District.
- Fund balance has been utilized to cover annual operating deficits for two of the last three fiscal years, resulting in:
 1. The amount borrowed for operations and the interest cost of the borrowing
 2. Loss of interest earnings as the balance of invested funds has decreased

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Fairview Area Schools
Superintendent's Office
1879 E. Miller Rd.
Fairview, MI 48621

FAIRVIEW AREA SCHOOLS
BASIC FINANCIAL STATEMENTS

FAIRVIEW AREA SCHOOLS
DISTRICT WIDE - STATEMENT OF NET ASSETS
JUNE 30, 2008

<u>ASSETS</u>	<u>Governmental Activities</u>
Current Assets	
Cash and investments (Note 3)	\$ 1,247,044
Property taxes receivable (Note 4)	-
Accounts receivable (Note 4)	-
Due from governmental units (Note 4)	206,248
Inventory	1,212
Total current assets	<u>1,454,504</u>
Noncurrent Assets	
Capital assets (Note 5)	8,226,721
Less: accumulated depreciation	<u>(3,394,557)</u>
Total noncurrent assets	<u>4,832,164</u>
Total assets	<u>\$ 6,286,668</u>
 <u>LIABILITIES AND NET ASSETS</u> 	
Current Liabilities	
Accounts payable	\$ 24,239
Accrued salaries and withholdings	222,842
Accrued terminal leave	85,533
Accrued interest	19,034
Deferred revenue (Note 4)	1,142
Bonds payable, Due within one year (Note 7)	375,000
Installment purchase, Due within one year (Note 7)	<u>22,196</u>
Total current liabilities	<u>749,986</u>
Noncurrent Liabilities	
Bonds payable (Note 7)	2,205,000
Installment purchase (Note 7)	<u>23,083</u>
Total noncurrent liabilities	<u>2,228,083</u>
Total Liabilities	<u>2,978,069</u>
Net Assets	
Invested in capital assets, net of related debt	2,206,885
Restricted for debt service	92,983
Restricted for capital projects	231,499
Unrestricted	<u>777,232</u>
Total Net Assets	<u>3,308,599</u>
Total Liabilities and Net Assets	<u>\$ 6,286,668</u>

See accompanying notes

FAIRVIEW AREA SCHOOLS
DISTRICT WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/programs	Expenses	Program Revenues		Governmental
		Charges for	Operating	Activities
		Services	Grants	Net (Expense)
				Revenue and
				Changes in
				Net Assets
Governmental Activities				
Instruction	\$ 1,651,496	\$ 19,009	\$ 412,709	\$ (1,219,778)
Support services	1,155,346	19,438	-	(1,135,908)
Food services	120,033	30,723	82,107	(7,203)
Athletics	65,109	35,989	-	(29,120)
Interest on long term debt	126,328			(126,328)
Depreciation - unallocated	298,471	-	-	(298,471)
Total Governmental Activities	\$ 3,416,783	\$ 105,159	\$ 494,816	(2,816,808)
General Revenues				
Taxes				
Property taxes, levied for general operations				2,098,316
Property taxes, levied for debt service				508,562
Property taxes, levied for capital projects - sinking fund				165,360
State of Michigan aid, unrestricted				343,771
Interest and investment earnings				28,918
Other				27,725
Total General Revenues				3,172,652
Change in Net Assets				355,844
Net assets - beginning of year				2,952,755
Net assets - end of year				\$ 3,308,599

See accompanying notes

FAIRVIEW AREA SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	GENERAL	1998 DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<u>ASSETS</u>					
Cash and investments	\$ 888,548	\$ 89,544	\$ 226,555	\$ 42,397	\$ 1,247,044
Property taxes receivable	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other governmental units	205,403	-	-	845	206,248
Due from other funds	-	3,600	4,997	-	8,597
Inventory	-	-	-	1,212	1,212
Total Assets	<u>\$ 1,093,951</u>	<u>\$ 93,144</u>	<u>\$ 231,552</u>	<u>\$ 44,454</u>	<u>\$ 1,463,101</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 18,225	\$ 161	\$ 53	\$ 5,800	\$ 24,239
Accrued salaries and withholdings	222,842	-	-	-	222,842
Accrued terminal leave	85,533	-	-	-	85,533
Due to other funds	8,597	-	-	-	8,597
Deferred revenue	1,142	-	-	-	1,142
Total Liabilities	<u>336,339</u>	<u>161</u>	<u>53</u>	<u>5,800</u>	<u>342,353</u>
FUND BALANCES:					
Reserved for debt retirement	-	92,983	-	-	92,983
Reserved for capital projects	-	-	231,499	-	231,499
Designated for subsequent years expenditures	98,650	-	-	-	98,650
Unreserved and undesignated:					-
General	658,962	-	-	-	658,962
Food Service	-	-	-	38,654	38,654
Total Fund Balances	<u>757,612</u>	<u>92,983</u>	<u>231,499</u>	<u>38,654</u>	<u>1,120,748</u>
Total Liabilities and Fund Balances	<u>\$ 1,093,951</u>	<u>\$ 93,144</u>	<u>\$ 231,552</u>	<u>\$ 44,454</u>	<u>\$ 1,463,101</u>
Total Governmental Fund Balances				\$ 1,120,748	
Elimination of due to and due from governmental funds					
Due to				8,597	
Due from				(8,597)	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.					
The cost of capital assets is			\$ 8,226,721		
Accumulated depreciation is			<u>(3,394,557)</u>		
				4,832,164	
Long term liabilities are not due and payable in the current period and are not reported in the fund					
Bonds payable				(2,580,000)	
Installment purchase				(45,279)	
Accrued interest is not included as a liability in governmental funds				(19,034)	
Net Assets of Governmental Activities				<u>\$ 3,308,599</u>	

See accompanying notes

FAIRVIEW AREA SCHOOLS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL	1998 DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTALS
REVENUES:					
Local sources	\$ 2,152,977	\$ 512,283	\$ 169,970	\$ 67,164	\$ 2,902,394
State sources	494,046	-	-	5,700	499,746
Federal sources	262,434	-	-	76,407	338,841
Interdistrict sources	31,646	-	-	-	31,646
Total Revenues	<u>2,941,103</u>	<u>512,283</u>	<u>169,970</u>	<u>149,271</u>	<u>3,772,627</u>
EXPENDITURES:					
Current:					
Instruction	1,651,496	-	-	-	1,651,496
Support services	1,056,316	-	-	185,142	1,241,458
Community activities	450	-	-	-	450
Debt service	-	488,925	-	-	488,925
Capital outlay	70,279	-	89,092	1,588	160,959
Intergovernmental payments	98,043	178	59	-	98,280
Total Expenditures	<u>2,876,584</u>	<u>489,103</u>	<u>89,151</u>	<u>186,730</u>	<u>3,641,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>64,519</u>	<u>23,180</u>	<u>80,819</u>	<u>(37,459)</u>	<u>131,059</u>
OTHER FINANCING SOURCES (USES):					
Installment note proceeds	45,279	-	-	-	45,279
Operating transfers in (out)	(30,167)	-	-	30,167	-
Loan payments	(21,838)	-	-	-	(21,838)
Total Other Financing Sources (Uses)	<u>(6,726)</u>	<u>-</u>	<u>-</u>	<u>30,167</u>	<u>23,441</u>
NET CHANGES IN FUND BALANCES	57,793	23,180	80,819	(7,292)	154,500
FUND BALANCES - Beginning of year	<u>699,819</u>	<u>69,803</u>	<u>150,680</u>	<u>45,946</u>	<u>966,248</u>
FUND BALANCES - End of year	<u>\$ 757,612</u>	<u>\$ 92,983</u>	<u>\$ 231,499</u>	<u>\$ 38,654</u>	<u>\$ 1,120,748</u>

See accompanying notes

FAIRVIEW AREA SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	154,500
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(298,471)	
Capital Outlay		<u>160,959</u>	
			(137,512)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid	3,135
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Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	360,000
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Repayments of installment purchases principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	21,000
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Proceeds from installment note is income in the governmental funds, but not in the statement of activities (where it increases long term debt)	<u>(45,279)</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>355,844</u></u>
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FAIRVIEW AREA SCHOOLS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	<u>2008</u>
<u>ASSETS</u>	
Cash	\$ <u>36,095</u>
Total Assets	\$ <u><u>36,095</u></u>
 <u>LIABILITIES</u>	
Deposits held for others	\$ <u>36,095</u>
Total Liabilities	\$ <u><u>36,095</u></u>

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Fairview Area Schools ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the District:

REPORTING ENTITY

The District is governed by an elected seven member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the school district. Based on the application criteria, the District does not contain any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported a separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

(Continued)

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(continued)

Fund Based Statements - Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the District.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The 1998 Debt Service Fund is used to record tax, interest, and other revenue for payment of principle, interest and other expenditures of the 1998 bond issue.

The Capital Projects Fund is used to record sinking fund property taxes and other revenue and expenditures specifically designated for renovating and improving existing facilities.

The fund operates until the purpose for which it was created is accomplished.

Additionally, the District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletic Fund.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District maintains a Student Activities Fund to record the transactions of student and parent groups school-related purposes. The funds are segregated and held in trust for the students and parents.

(Continued)

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2007 taxable value of the District was \$52,617,782 homestead and \$116,690,913 non-homestead. The District levied 18.0000 mills for operating purposes on non-homestead; 3.0000 mills for debt service and .9777 mills for the sinking fund all property for 2007.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$1,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized. The District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	8 years
Furniture and other equipment	5-20 years
Land improvements	20 years

(Continued)

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

Compensated Absences - Fairview Area Schools has a provision in its employee policy whereby terminal leave vests with each employee and, consequently, the School has a financial obligation it must meet at such time the employee leaves the employ of the School. The amount of these accrued termination benefits as of June 30, 2008 is approximately \$85,533 and has been reported as a liability on the General Fund Balance Sheet.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the District's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information - (continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - The District incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund: Support services:			
Pupil services	\$ 36,126	\$ 38,417	\$ 2,291
Business	121,463	132,459	10,996
Transportation	176,928	244,746	67,818
Special Revenue:	54,838	65,109	10,271
Athletics			

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>District Total</u>
Cash and investments	\$ 1,247,044	\$ 36,095	\$ 1,283,139
Total	<u>\$ 1,247,044</u>	<u>\$ 36,095</u>	<u>\$ 1,283,139</u>

The breakdown between deposits and investments for the District is as follows:

Deposits (checking, savings, certificates of deposit)	\$ 78,495
Investments (investment pool)	1,204,644
	<u>\$ 1,283,139</u>

As of June 30, 2008 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool	\$ 1,204,644	31 days

Interest rate risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008 the District did not have any investments in commercial paper or corporate bonds.

(Continued)

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Concentration of credit risk

The District will minimize the concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2008 the District's investments were in a pooled investment fund.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2008, \$- of the District's bank balance of \$78,495 was exposed to custodial risk because it was uninsured.

Custodial credit risk - investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2008. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk

The District is not authorized to invest in investments which have this type of risk.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>1998 Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Property tax receivable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-
Intergovernmental	<u>205,403</u>	<u>-</u>	<u>-</u>	<u>845</u>	<u>206,248</u>
Total receivables	<u>\$ 205,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 845</u>	<u>\$ 206,248</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants and categorical aid payment not considered available	\$ -	\$ 1,142
Payments received prior to meeting all eligibility requirements:		
Other	<u>-</u>	<u>-</u>
Totals	<u>\$ -</u>	<u>\$ 1,142</u>
Total deferred revenue		<u>\$ 1,142</u>

(Continued)

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the District's Governmental activities were as follows:

<u>Assets</u>	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets being depreciated:				
Land improvements	\$ 788,466	\$ 2,500	\$ -	\$ 790,966
Buildings & improvements	5,873,611	74,092	-	5,947,703
Buses & vehicles	351,267	70,279	-	421,546
Furniture & equipment	1,052,418	14,088	-	1,066,506
Subtotal	8,065,762	160,959	-	8,226,721
<u>Accumulated Depreciation</u>				
Land improvements	551,274	39,423	-	590,697
Buildings & improvements	1,359,191	113,011	-	1,472,202
Buses & vehicles	304,141	20,892	-	325,033
Furniture & equipment	881,480	125,145	-	1,006,625
Subtotal	3,096,086	298,471	-	3,394,557
Net capital assets being depreciated	4,969,676	(137,512)	-	4,832,164
Governmental Activities				
Total Capital Assets net of Depreciation	\$ <u>4,969,676</u>	\$ <u>(137,512)</u>	\$ <u>-</u>	\$ <u>4,832,164</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	Amount
1998 Debt	\$ 3,600	General	\$ 8,597
Capital Projects	4,997		
Total	\$ <u>8,597</u>	Total	\$ <u>8,597</u>

The above interfund balances occurred as a result of routine activity between the funds and the balances are expected to be paid during the next fiscal year.

<u>Transfer In</u>	<u>Transfer Out</u>	
Other Nonmajor Governmental	General Fund	\$ 32,167
General Fund	Other Nonmajor Governmental	2,000
		<u>34,167</u>

(Continued)

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 7 - LONG-TERM DEBT

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge full faith and credit of the school district. Other long-term obligations include installment purchases.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
General Obligation Bonds:				
1998 Issue	\$ 2,940,000	\$ (360,000)	\$ 2,580,000	\$ 375,000
Installment purchases	<u>21,000</u>	<u>24,279</u>	<u>45,279</u>	<u>22,196</u>
Total Governmental Activities	<u>\$ 2,961,000</u>	<u>\$ (335,721)</u>	<u>\$ 2,625,279</u>	<u>\$ 397,196</u>

Annual debt service requirements to maturity for the General Obligation Bonds and Installment Purchases are as follows:

Year Ended June 30	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 375,000	\$ 112,875	\$ 487,875
2010	395,000	96,469	491,469
2011	415,000	79,188	494,188
2012	440,000	61,031	501,031
2013	465,000	41,782	506,782
2014	<u>490,000</u>	<u>21,437</u>	<u>511,437</u>
Total	<u>\$ 2,580,000</u>	<u>\$ 412,782</u>	<u>\$ 2,992,782</u>

General Obligation Bonds payable at June 30, 2008 is comprised of the following issue:

General obligation bonds:

1998 serial bonds due in annual installments
ranging from \$375,000 to \$490,000 through
May 1, 2014; interest rate of 4.375%

\$ 2,580,000

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 7 - LONG-TERM DEBT (continued)

<u>INSTALLMENT PURCHASE</u>			
<u>Payable to:</u>	<u>Original Amount</u>	<u>Equipment</u>	<u>Principal Due</u>
Citizens Bank - dated May 8, 2008	\$ 45,279	Bus	\$ 45,279
Interest rate 4.00%			
First annual principal payment of \$22,196 due			
July 15, 2008, remaining annual principal			
payment of \$23,083 due July 15th, 2009			
Total Installment Purchases			\$ <u>45,279</u>

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The District participates in the Michigan Public School Employees' Retirement System (MPERS), a state-wide, cost sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the district. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MPERS at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the MPERS result from implementing the effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74% for the period July 1, 2007 through September 30, 2007 and 16.72% for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan (MIP) members contribute at rates ranging from 3% to 4.3% of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were \$258,090, \$286,881, and \$269,932.

Post Employment Benefits - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equal to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS pension plan discussed above.

NOTE 10 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, all known liabilities for claims paid by the Agency are recorded as accounts payable.

NOTE 11 - CAPITAL PROJECTS FUND

The Capital Projects Fund includes sinking fund activities funded with property taxes levied. For the accounting activity of this capital project, the Fairview Area Schools have complied with the applicable provisions of Section 380.1212 of the Revised School Code for the year ended June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

FAIRVIEW AREA SCHOOLS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	2008	2008	Budgetary	Final Budget
	Original	Final	Basis	Over (Under)
REVENUES				
Local sources	\$ 2,018,872	\$ 2,139,755	\$ 2,152,977	\$ 13,222
State sources	557,414	493,750	494,046	296
Federal sources	269,053	296,372	262,434	(33,938)
Interdistrict sources	22,538	49,395	31,646	(17,749)
Total Revenues	<u>2,867,877</u>	<u>2,979,272</u>	<u>2,941,103</u>	<u>(38,169)</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,325,032	1,199,858	1,177,539	(22,319)
Added needs	427,609	508,732	473,957	(34,775)
Support services:				
Pupil services	36,378	36,126	38,417	2,291
Instructional staff	27,404	55,413	48,018	(7,395)
General administration	247,350	192,500	184,219	(8,281)
School administration	176,630	174,202	172,123	(2,079)
Business	101,238	121,463	132,459	10,996
Operation & maintenance	283,173	262,361	254,118	(8,243)
Transportation	171,525	176,928	244,746	67,818
Other support services	39,679	45,470	41,372	(4,098)
Community activities	-	450	450	-
Intergovernmental	122,000	98,815	98,043	(772)
Total Expenditures	<u>2,958,018</u>	<u>2,872,318</u>	<u>2,865,461</u>	<u>(6,857)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	3,000	48,279	47,279	1,000
Outgoing transfers & other transactions	<u>(46,812)</u>	<u>(127,458)</u>	<u>(54,005)</u>	<u>(73,453)</u>
Total Other Financing Sources (Uses)	<u>(43,812)</u>	<u>(79,179)</u>	<u>(6,726)</u>	<u>(73,453)</u>
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)	(133,953)	27,775	68,916	41,141
Budgetary fund balance - July 1, 2007	<u>614,740</u>	<u>699,819</u>	<u>699,819</u>	<u>-</u>
Budgetary fund balance - June 30, 2008	<u>\$ 480,787</u>	<u>\$ 727,594</u>	<u>\$ 768,735</u>	<u>\$ 41,141</u>

OTHER SUPPLEMENTAL INFORMATION

FAIRVIEW AREA SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Nonmajor Special Revenue Funds		Nonmajor Governmental Funds
	Food Service	Athletics	Total
<u>ASSETS</u>			
Cash and investments	\$ 27,520	\$ 14,877	\$ 42,397
Accounts receivable	-	-	-
Property taxes receivable	-	-	-
Due from other governmental units	845	-	845
Due from other funds	-	-	-
Inventory	1,212	-	1,212
			-
Total Assets	\$ <u>29,577</u>	\$ <u>14,877</u>	\$ <u>44,454</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 5,800	\$ -	\$ 5,800
Accrued salaries	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total Liabilities	<u>5,800</u>	<u>-</u>	<u>5,800</u>
Fund Balances:			
Unreserved and undesignated	<u>23,777</u>	<u>14,877</u>	<u>38,654</u>
Total Fund Balance	<u>23,777</u>	<u>14,877</u>	<u>38,654</u>
Total Liabilities and Fund Balances	\$ <u>29,577</u>	\$ <u>14,877</u>	\$ <u>44,454</u>

FAIRVIEW AREA SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds		Nonmajor Governmental Funds
	Food Service	Athletics	Total
REVENUES			
Local sources	\$ 31,073	\$ 36,091	\$ 67,164
State sources	5,700	-	5,700
Federal sources	76,407	-	76,407
	<u>113,180</u>	<u>36,091</u>	<u>149,271</u>
Total Revenues			
	<u>113,180</u>	<u>36,091</u>	<u>149,271</u>
EXPENDITURES:			
Current operations:			
Food service	120,033	-	120,033
Athletics	-	65,109	65,109
Capital outlay	1,588	-	1,588
	<u>121,621</u>	<u>65,109</u>	<u>186,730</u>
Total Expenditures			
	<u>121,621</u>	<u>65,109</u>	<u>186,730</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(8,441)</u>	<u>(29,018)</u>	<u>(37,459)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out)	<u>(2,000)</u>	<u>32,167</u>	<u>30,167</u>
	<u>(2,000)</u>	<u>32,167</u>	<u>30,167</u>
Total Other Financing Sources (Uses)			
	<u>(2,000)</u>	<u>32,167</u>	<u>30,167</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(10,441)	3,149	(7,292)
Fund Balance - Beginning of Year	<u>34,218</u>	<u>11,728</u>	<u>45,946</u>
Fund Balance - End of Year	<u>\$ 23,777</u>	<u>\$ 14,877</u>	<u>\$ 38,654</u>

FAIRVIEW AREA SCHOOLS
GENERAL FUND
COMPARATIVE DETAIL OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
REVENUES		
Local Sources:		
Current property taxes	\$ 2,098,316	\$ 1,965,987
Earnings on investments	20,135	27,046
Miscellaneous	34,526	24,260
Total Local Sources	<u>2,152,977</u>	<u>2,017,293</u>
State Sources:		
Grants - Unrestricted:		
State Aid	343,771	553,975
Grants - Restricted:		
Durant	5,064	5,064
At risk	84,545	75,136
Special education	57,217	40,549
Other	-	4,794
Received through ISD:		
Other	3,449	4,423
Total State Sources	<u>494,046</u>	<u>683,941</u>
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	10,544	11,817
Received through State:		
Title I	101,304	98,713
Title II	9,693	31,081
Title V	1,312	-
Other grants	4,000	-
Received through ISD:		
Special Ed - Flow through	102,212	108,450
Other grants	3,564	4,704
Other federal revenue - from County	29,805	30,216
Total Federal Sources	<u>262,434</u>	<u>284,981</u>
Interdistrict:		
Special Education	18,213	16,038
Other	13,433	5,075
Total Interdistrict	<u>31,646</u>	<u>21,113</u>
TOTAL REVENUES	<u>2,941,103</u>	<u>3,007,328</u>
OTHER FINANCING SOURCES:		
Installment note proceeds	45,279	-
Operating transfers	2,000	2,000
TOTAL OTHER FINANCING SOURCES	<u>47,279</u>	<u>2,000</u>
TOTAL REVENUE AND OTHER FINANCING SOURCES	\$ <u>2,988,382</u>	\$ <u>3,009,328</u>

FAIRVIEW AREA SCHOOLS
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

INSTRUCTION:	2008	2007
Basic Programs:		
Elementary:		
Salaries	\$ 323,451	\$ 372,997
Employee benefits	159,172	190,523
Purchased services	1,156	331
Supplies & materials	14,888	12,588
Capital outlay	-	-
	<u>498,667</u>	<u>576,439</u>
Middle School:		
Salaries	146,988	174,575
Employee benefits	56,135	61,419
Purchased services	568	548
Supplies & materials	3,607	25,636
Capital outlay	-	-
	<u>207,298</u>	<u>262,178</u>
High School:		
Salaries	276,267	278,125
Employee benefits	141,843	147,652
Purchased services	30,104	34,725
Supplies & materials	23,360	13,202
Other expenses	-	-
Capital outlay	-	-
	<u>471,574</u>	<u>473,704</u>
TOTAL BASIC PROGRAMS	<u>1,177,539</u>	<u>1,312,321</u>
Added Needs:		
Special Education:		
Salaries	181,064	178,660
Employee benefits	86,622	84,814
Purchased services	228	2,224
Supplies & materials	2,000	2,000
	<u>269,914</u>	<u>267,698</u>
Compensatory Education:		
Salaries	126,833	131,629
Employee benefits	47,187	37,622
Purchased services	16,282	854
Supplies & materials	717	3,199
Capital outlay	-	-
	<u>191,019</u>	<u>173,304</u>
Career Technical Education		
Purchased services	<u>13,024</u>	<u>16,926</u>
TOTAL ADDED NEEDS	<u>473,957</u>	<u>457,928</u>
TOTAL INSTRUCTION	<u>1,651,496</u>	<u>1,770,249</u>

FAIRVIEW AREA SCHOOLS
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
SUPPORT SERVICES:		
Support Services - Pupil:		
Guidance:		
Salaries	\$ 29,029	\$ 28,483
Employee benefits	7,187	7,277
Purchased services	-	-
Supplies & materials	-	-
Capital outlay	-	-
	<u>36,216</u>	<u>35,760</u>
Other Pupil Services:		
Purchased services	-	759
Supplies & materials	2,201	1,933
	<u>2,201</u>	<u>2,692</u>
 TOTAL SUPPORT SERVICES - PUPIL	 <u>38,417</u>	 <u>38,452</u>
 Support Services - Instructional Staff:		
Improvement of Instruction:		
Salaries	-	9,424
Employee benefits	-	2,393
Purchased services	-	-
Supplies & materials	11,446	1,457
Other expenses	-	-
	<u>11,446</u>	<u>13,274</u>
Library:		
Salaries	18,025	55,388
Employee benefits	4,821	18,488
Purchased services	9,225	2,835
Supplies & materials	2,668	7,963
	<u>34,739</u>	<u>84,674</u>
Other Instructional Staff:		
Salaries	-	-
Purchased services	746	1,073
Supplies & materials	1,087	385
Capital outlay	-	-
	<u>1,833</u>	<u>1,458</u>
 TOTAL SUPPORT SERVICES - INSTRUCTIONAL STAFF	 <u>48,018</u>	 <u>99,406</u>
 General Administration:		
Board of Education:		
Salaries	2,090	4,190
Purchased services	28,017	25,167
Supplies & materials	2,352	3,106
Other expenses	1,271	1,273
Capital outlay	-	-
	<u>33,730</u>	<u>33,736</u>

FAIRVIEW AREA SCHOOLS
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES - (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
Executive Administration:		
Salaries	\$ 96,900	\$ 123,955
Employee benefits	48,453	75,939
Purchased services	3,440	3,655
Supplies & materials	692	801
Other expenses	1,004	979
Capital outlay	-	-
	<u>150,489</u>	<u>205,329</u>
 TOTAL SUPPORT SERVICES - GENERAL ADMINISTRATION	 <u>184,219</u>	 <u>239,065</u>
 School Administration:		
Office of the Principal:		
Salaries	105,611	111,611
Employee benefits	63,574	62,059
Purchased services	2,264	1,993
Supplies & materials	674	786
Other expenses	-	-
Capital outlay	-	-
	<u>-</u>	<u>-</u>
 TOTAL SUPPORT SERVICES - SCHOOL ADMINISTRATION	 <u>172,123</u>	 <u>176,449</u>
 Support Services - Business:		
Other Business Services:		
Salaries	28,549	-
Employee benefits	19,160	-
Purchased services	49,760	23,746
Supplies & materials	24,188	17,356
Other expenses	10,802	10,041
Capital outlay	-	-
	<u>-</u>	<u>-</u>
 TOTAL SUPPORT SERVICES - BUSINESS	 <u>132,459</u>	 <u>51,143</u>
 Operation & Maintenance:		
Salaries	35,176	61,295
Employee benefits	24,183	43,973
Purchased services	91,569	71,537
Supplies & materials	103,190	105,067
Capital outlay	-	5,949
	<u>-</u>	<u>5,949</u>
 TOTAL SUPPORT SERVICES - OPERATION & MAINTENANCE	 <u>254,118</u>	 <u>287,821</u>

FAIRVIEW AREA SCHOOLS
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
Pupil Transportation:		
Salaries	\$ 100,953	\$ 98,897
Employee benefits	31,706	43,484
Purchased services	5,042	4,244
Supplies & materials	36,766	35,304
Other expenses	-	20
Capital outlay	70,279	-
TOTAL SUPPORT SERVICES - PUPIL TRANSPORTATION	<u>244,746</u>	<u>181,949</u>
Planning and Evaluation:		
Purchased services	3,550	-
TOTAL SUPPORT SERVICES - PLANNING AND EVALUATION	<u>3,550</u>	<u>-</u>
Technology:		
Purchased services	40,500	31,188
Supplies & materials	872	-
TOTAL SUPPORT SERVICES - TECHNOLOGY	<u>41,372</u>	<u>31,188</u>
Employee benefits - unclassified	7,573	9,897
TOTAL SUPPORT SERVICES	<u>1,126,595</u>	<u>1,115,370</u>
COMMUNITY ACTIVITIES:		
Purchased services	450	-
TOTAL COMMUNITY ACTIVITIES	<u>450</u>	<u>-</u>
INTERGOVERNMENTAL		
Tuition	83,478	76,935
Other	14,565	18,138
TOTAL INTERGOVERNMENTAL	<u>98,043</u>	<u>95,073</u>
TOTAL EXPENDITURES	<u>2,876,584</u>	<u>2,980,692</u>
OTHER FINANCING USES:		
Loan payments	21,838	22,662
Operating transfer - Special Revenue Fund	32,167	37,133
TOTAL OTHER FINANCING USES	<u>54,005</u>	<u>59,795</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 2,930,589</u>	<u>\$ 3,040,487</u>

FAIRVIEW AREA SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

	FOOD SERVICE	ATHLETIC	TOTALS 2008	2007
<u>ASSETS</u>				
Cash	\$ 27,520	\$ 14,877	\$ 42,397	\$ 43,938
Accounts receivable	-	-	-	-
Due from other governmental units	845	-	845	829
Due from other funds	-	-	-	-
Inventory	1,212	-	1,212	1,179
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>29,577</u>	\$ <u>14,877</u>	\$ <u>44,454</u>	\$ <u>45,946</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 5,800	\$ -	\$ 5,800	\$ -
Accrued salaries	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>5,800</u>	<u>-</u>	<u>5,800</u>	<u>-</u>
<u>FUND BALANCE</u>				
Unreserved	<u>23,777</u>	<u>14,877</u>	<u>38,654</u>	<u>45,946</u>
Total Fund Balance	<u>23,777</u>	<u>14,877</u>	<u>38,654</u>	<u>45,946</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ <u>29,577</u>	\$ <u>14,877</u>	\$ <u>44,454</u>	\$ <u>45,946</u>

FAIRVIEW AREA SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

	FOOD SERVICE	ATHLETIC	2008	2007
REVENUES				
Revenue from Local Sources:				
Food service activities	\$ 31,073	\$ -	\$ 31,073	\$ 31,833
Athletic activities	-	36,091	36,091	39,193
State aid	5,700	-	5,700	5,559
Federal aid	76,407	-	76,407	75,109
TOTAL REVENUES	113,180	36,091	149,271	151,694
EXPENDITURES:				
Food service activities	69,533	-	69,533	51,694
Athletic activities	-	43,907	43,907	40,576
Salaries	40,545	17,041	57,586	59,288
Employee benefits	9,955	4,161	14,116	14,911
Capital outlay	1,588	-	1,588	-
TOTAL EXPENDITURES	121,621	65,109	186,730	166,469
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,441)	(29,018)	(37,459)	(14,775)
OTHER FINANCING SOURCES (USES)				
Operating transfer from (to) general fund	(2,000)	32,167	30,167	35,133
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	(10,441)	3,149	(7,292)	20,358
FUND BALANCE - BEGINNING OF YEAR	34,218	11,728	45,946	25,588
FUND BALANCE - END OF YEAR	\$ 23,777	\$ 14,877	\$ 38,654	\$ 45,946

FAIRVIEW AREA SCHOOLS
TRUST AND AGENCY FUNDS
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2008

	BALANCES JULY 1, 2007	REVENUES	EXPENDITURES	BALANCES JUNE 30 2008
Class of 2008	\$ 4,431	\$ 4,011	\$ 7,200	\$ 1,242
Class of 2009	4,833	1,998	1,846	4,985
Class of 2010	870	958	469	1,359
Class of 2011	3,084	2,354	1,755	3,683
Class of 2012	294	6	-	300
Class of 2013	-	25	-	25
Yearbook Fund	939	3,457	3,870	526
Book Fair - Library	344	3,845	2,630	1,559
Music Fund	2,944	10,471	11,806	1,609
Middle School	273	1,420	1,086	607
Spirit Committee	192	-	-	192
Cash Box:				
Glen's Market	2,871	1,762	1,397	3,236
Special Education -				
Tootsie Roll Fund	1,643	661	165	2,139
Cash Box - Other	880	825	935	770
FAS Special Projects	28	-	-	28
JV/V Girls Basketball	10	2,601	2,350	261
High School	1,304	158	-	1,462
MI U.P. Trip	993	7,670	7,176	1,487
Character Counts	473	-	-	473
Kids Garden Club	492	-	-	492
School Newspaper	1,817	-	200	1,617
Senior Scholarship	1,013	1,000	1,000	1,013
Varsity Soccer	3,426	4,942	3,692	4,676
Drama Club	265	104	293	76
Student Council	3,871	1,474	3,258	2,087
Track	-	1,736	1,545	191
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ <u>37,290</u>	\$ <u>51,478</u>	\$ <u>52,673</u>	\$ <u>36,095</u>

FAIRVIEW AREA SCHOOLS
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2008

DATE OF ISSUE - AUGUST 1, 1998

Original amount of issue - \$ 5,275,000

Purpose of issue - Erecting, furnishing, and equipping additions to and partially remodeling, refurbishing and re-equipping the K-12 school building, in part, for a media center, gymnasium and cafeteria; acquiring, installing and equipping the school building for technology; and relocating a playground and improving and developing the site.

Early Redemption - Bonds maturing in the years 1999 through 2008 inclusive shall not be subject to redemption prior to maturity. Bonds maturing in the years 2009 and thereafter, shall be subject to redemption prior to maturity, at the option of the School District, in such order as the School District may determine and by lot within any maturity, on any interest payment date on or after May 1, 2008 at par and accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
4.375%	2008-09	\$ 56,438	\$ 56,437	\$ 375,000	\$ 487,875
4.375%	2009-10	48,235	48,234	395,000	491,469
4.375%	2010-11	39,594	39,594	415,000	494,188
4.375%	2011-12	30,515	30,516	440,000	501,031
4.375%	2012-13	20,891	20,891	465,000	506,782
4.375%	2013-14	10,719	10,718	490,000	511,437
		<u>\$ 206,392</u>	<u>\$ 206,390</u>	<u>\$ 2,580,000</u>	<u>\$ 2,992,782</u>

APPENDICE



Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Fairview Area Schools
Fairview, MI 48621

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairview Area Schools as of and for the year ended June 30, 2008, which collectively comprise Fairview Area Schools' basic financial statements and have issued our report thereon dated October 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fairview Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fairview Area Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Fairview Area Schools
Fairview, MI 48621

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairview Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
October 8, 2008



Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

October 8, 2008

To the Board of Education
Fairview Area Schools
1879 E. Miller Road
Fairview, Michigan 48621

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairview Area Schools for the year ended June 30, 2008, and have issued our report thereon dated October 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 31, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fairview Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the net book value of fixed assets is based on estimated depreciation lives. We evaluated the key factors and assumptions used to develop the depreciation lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Fairview Area Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants